

# State of New Hampshire Treasury

## Investment Guidelines for New Hampshire Turnpike System

### PURPOSE

The purpose of these general guidelines is for the accomplishment of the stated objectives while ensuring compliance with state and federal laws as well as approved resolutions and indentures related to the turnpike system. These guidelines are also designed to outline internal controls over the safeguarding of turnpike system financial assets.

### INVESTMENT OBJECTIVE

State turnpike system funds will be invested to 1). Preserve the value and safety of the principal, 2). Maintain liquidity appropriate for short-term cash needs and 3). Optimize the rate of return on investments consistent with the goals of safety and liquidity. When making individual investments, the primary considerations will be risk rating, liquidity, income and maturity. It is recognized that income is a product of yield to maturity, therefore; fixed income securities may be purchased either at a discount to minimize initial cash outlay and take advantage of capital appreciation, or at a premium to optimize cash flow when conditions warrant.

These guidelines apply to all operating funds (also known as moneys in the “Revenue Account” and the “General Reserve Account” or the turnpike toll account) received for the benefit of the New Hampshire turnpike system. They do not apply to any other funds belonging to the state or the New Hampshire turnpike system or to any other turnpike system funds held in separate accounts pursuant to its indentures.

### LEVELS OF AUTHORITY

1. The Treasurer is authorized to invest or direct a Deputy Treasurer or an Assistant Treasurer to invest the State's turnpike system operating funds within the established guidelines.
2. The Treasurer must be notified of purchases or sales of securities with a maturity of great than 7 days and at a par value of over 20 million dollars in a single day.
3. The Treasurer, Chief Deputy, Deputy Treasurer or Assistant Treasurer is authorized to approve purchases or sales of securities. No formal approval is required for investments in overnight or weekend repurchase agreements, which would be transacted as part of an overnight sweep (investment) program.

### RESPONSIBILITIES

1. The Treasurer or designee will document the rationale for each security transaction. Short-term investments (less than one year) do not require such documentation.
2. The Treasurer or designee is responsible for ensuring the completion of all paperwork and transactions pertinent to the execution and confirmation of buy/sell orders; for instructing money market dealers with respect to arrangement for payment or collection of monies resulting from the purchase, sale or redemption of securities; and for the maintenance of all necessary records of current holdings. This paperwork shall include, but is not limited to appropriate accounting and internal documents required to track the movement of funds through the State's integrated financial

## State of New Hampshire Treasury

Investment Guidelines for New Hampshire Turnpike System system and the treasury's banking system.

3. Upon recognition that the investment portfolio has fallen out of compliance with these guidelines, the Treasurer or designee has thirty days to take such corrective action to remedy any violations without loss of any principal.

### APPROVED INVESTMENTS

The following are approved investment vehicles as defined in RSA 6:8, 387:6, 387:6-a, and 387:14:

#### **The New Hampshire Public Deposit Investment Pool**

**United States Treasury Securities or securities with an unconditional guarantee of principal and interest by the federal government**

**Federal Agency Securities** - Federal Farm Credit System, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, and Tennessee Valley Authority.

**Repurchase Agreements** – the underlying security must be U.S government or agency securities with a market value equal to 102% of principal, and executed through any New Hampshire or Massachusetts bank that has assets in excess of \$500 million and has either the strongest rating as measured by Veribanc Inc or has a long term debt rating of AA- or better as rated by Standard & Poor's and Fitch and Aa3 or better as rated by Moody's. Maximum maturity may not be greater than 1 year.

Repurchase Agreements may also be executed through any of the primary government security dealers as designated by the Federal Reserve.

**Commercial Paper** - All commercial paper must be from issuers having an A1/P1 rating or better and a AA- or better long term debt rating from one or more of the primary rating agencies (Standard & Poors, Moody's, and Fitch). The maximum maturity of commercial paper will be 30 days.

**Money Market Funds** - Shares of funds, which hold diversified portfolios and follow standard rules for such funds as issued by the Securities and Exchange Commission.

**Certificates of Deposit** - CDs of State or federally chartered banking institutions with a branch in New Hampshire are approved. The maximum maturity of a CD will be one year and the bank must have the highest rating as measured by Veribanc Inc.

### CONSTRAINTS

State of New Hampshire Treasury  
Investment Guidelines for New Hampshire Turnpike System

**Maturity/Liquidity**

Consideration is given to the cashflow and maturity characteristics of securities in evaluating liquidity. To facilitate the market liquidity of a future sale, individual security purchases should generally be a maximum current par value of \$10 Million. The weighted average maturity of the portfolio should be less than 180 days.

**Foreign Currency**

All investments will be denominated in United States dollars.

**Safekeeping**

Securities purchased by the State should be delivered against payment and either held by the Federal Reserve Bank or in a custodian account by one of the State's principal banks.

**Reverse Repurchase Agreements**

Reverse repurchase agreements are not permitted under current statute. Securities lending is permitted in conjunction with an approved plan and a formal agreement with a custodian bank.

**Derivative Securities**

Investments in certain structured notes (not collateralized mortgage obligations), swaps, futures and options are permitted in conjunction with a formal risk management strategy and the explicit approval of the State Treasurer.

REVIEW

The Treasurer must review and approve the investment guidelines at least biennially.

This policy was last reviewed and approved in April, 2004.